SUMMARY

1. International trade plays a key role in the Philippines' economic development and poverty reduction. During the review period (2018-2025), trade in goods and services generally represented more than 60% of GDP. Overall, the average wage for workers in export-oriented sectors in 2024 exceeded the national average by at least 50%. The growth in higher-paying jobs linked to trade has contributed to a burgeoning middle class, which now accounts for over 40% of the population. Concurrently, the poverty rate fell from 26.3% in 2015 to 15.5% in 2023.

2. The Philippines, with its archipelagic geography, faces high trade costs, particularly in logistics, which are estimated to account for 27% of retail prices. According to ESCAP–World Bank data, trade costs in the Philippines are 20% higher than the ASEAN average. These elevated costs are largely attributable to inadequate infrastructure and regulatory inefficiencies. Also, as a net importer of energy and food, the Philippines remains susceptible to external shocks impacting the supply of essential commodities. Import price pass-through heavily weights on domestic inflation dynamics.

3. In response to these challenges, the Philippines has sought to implement several supply-side reforms aimed at reducing trade costs, fostering investment, and boosting economic growth. During the review period, the Philippines increased investment in connectivity infrastructure and relaxed various foreign equity restrictions. The authorities also streamlined certain trade procedures, removed quantitative restrictions on rice importation, adopted a national competition policy, and reformed government procurement rules, among other economic reforms.

Overall trade and economic performance

4. During the review period, the Philippine economy demonstrated remarkable resilience, with real GDP growing at an average annual rate of approximately 5%. In 2025, GDP per capita reached USD 4,279 (up from USD 3,280 in 2018), and approaching the World Bank's threshold for upper-middle-income economies. Economic growth was primarily driven by domestic factors, including robust private consumption supported by rising incomes in export-oriented sectors and capital deepening, particularly public investment in connectivity infrastructure aimed at reducing logistics costs. The latter is expected to continue in the near future, as the Government targets capital spending on infrastructure at 5-6% of GDP annually from 2022 to 2028 under its "Build Better More" programme.

5. The services sector remains a cornerstone of the economy, contributing 63% of GDP and 45% of total exports of goods and services in 2025. Services exports grew by 34% between 2018 and 2024, reaching USD 51.6 billion. The main driver of services exports is the information technology and business process management (IT-BPM) sector, which comprises telecommunications, computer and information services, as well as other business services. Exports of IT-BPM services, delivered predominantly through digital means, recorded a nearly 20% increase in revealed comparative advantage in 2021 compared with pre-pandemic levels. This increase underscores the sector's enhanced competitiveness and pivotal role in driving the Philippines' export growth. In addition, personal remittances from overseas Filipino workers, though not recorded in service trade statistics, represent the second-largest source of services export revenue, amounting to 8.5% of GDP in 2025.

6. Artificial intelligence (AI) presents potential job displacement challenges but also productivity gains for the IT-BPM sector. Although about 36% of BPM jobs have been estimated to be highly vulnerable to AI automation, the limited evidence to date suggests that AI has been augmenting rather than replacing employment. Market research also indicated that revenues in the BPO segment increased by up to 150% due to AI adoption.

7. Unlike the strong growth in services trade, merchandise exports expanded more modestly, increasing by 8% over the review period. Approximately 48% of Philippine merchandise exports are linked to global value chain (GVC) activities, supported by the Philippine's participation in the Information Technology Agreement (ITA). The Philippines accounts for about 10% of global output in the testing and packaging (ATP) segment of the semiconductor industry. ITA-covered products made up more than 60% of the country's goods exports in 2024, primarily electronic integrated circuits, semiconductor sensors, and memory media. The Philippines shows a revealed comparative advantage in manufacturing data storage devices, including memory modules, hard disks, and

solid-state drives. Strong global demand, partly driven by AI-related investment, contributed to merchandise exports reaching USD 83.8 billion in 2025, representing a 15.2% year-on-year growth.

8. The United States is the largest market for Philippine exports, accounting for 16.6% of goods and 40.5% of services exports in 2024. The Philippines also maintains close trade relations with East Asian economies, including China; Hong Kong, China; Japan; the Republic of Korea; and Chinese Taipei. These relationships reflect the country's participation in GVCs, particularly in ITA-related product manufacturing. About 80% of inputs used in the Philippine electronics industry are imported.

Trade and investment strategy

9. The Philippine Development Plan (PDP) 2023-2028 aims at creating an enabling environment that supports "high levels of economic growth", largely underpinned by trade and international investment. Specifically, the development plan highlights the importance of strengthening the country's export sectors, attracting foreign investments to boost trade and upgrade skills, and reducing trade costs.

10. The Philippines recognizes that the rules-based multilateral trading system provides stability, which has supported its industrial development and benefited consumers through increased competition. It considers its expanding network of Regional Trade Agreements (RTAs) complementary to existing WTO rules. Bilaterally, and together with its ASEAN peers, the Philippines negotiates RTAs with an emphasis on removing non-tariff barriers. As of end-2025, the country was a signatory to 12 RTAs, including five new agreements and two updates concluded during the review period.

11. To mobilize additional private capital, the Philippines took measures to liberalize its investment regime. Notably, the Amendment to the Public Service Act removed foreign equity restrictions for most infrastructure segments, except for seaports and basic telecommunications services. In addition, the public-private partnership (PPP) regime was overhauled in late 2023 to provide a unified and investor-friendly framework, including a structured mechanism for the submission of unsolicited proposals for infrastructure development.

12. Besides investment liberalization, the Philippines undertook legal and institutional framework reforms to facilitate investments and improve the business climate. Green Lane units were established across government entities in 2023 to fast-track strategic investment projects. A tacit approval principle for failure to act within a set timeframe on applications for permits and licences was also implemented across government agencies. The Inter-Agency Investment Promotion Coordination Committee (IIPCC), established in 2022, integrates and strengthens efforts to attract foreign investment and screens foreign investments in strategic sectors that may pose risks to national security or public welfare.

13. The Government pursues policies in support of micro-, small-, and medium-sized enterprises (MSMEs), which account for about 99% of businesses in the Philippines. Policies to support MSME growth introduced during the review period included fiscal incentives and domestic preferences. The reformed government procurement framework increased the domestic supplier preference margin to 25%, up from 15% previously. The Tatak Pinoy (Proudly Filipino) Strategy identified nine priority sectors eligible for domestic preferences over a ten-year period. The new PPP Code also includes provisions for domestic preferences. Furthermore, the export guarantee programme supports MSME export operations, with micro-enterprises accounting for 89.1% of the 71,288 borrowers that benefited from guarantee facilities for the period between December 2020 and December 2025.

Main trade and trade-related policy developments

14. During the review period, the Philippines abolished its longstanding quantitative restrictions on rice imports. The applied MFN tariff on imported rice, initially set at 50%, was reduced to 35% in June 2021 and further to 15% in July 2024. With an aim to "stabilize the rice retail price, help Filipino farmer sell their palay at a fair and reasonable price, and ensure food security", as from January 2026, the MFN tariff rate for rice is set in a range between 15% and 35%, on a counter-cyclical basis in relation to international prices, increasing or decreasing by five percentage points for every five-percent change in prices. Delays in issuing import permits (i.e. SPSICs) have

been addressed by Republic Act No. 11032. In addition, exclusive import rights of rice by the National Food Authority have been discontinued since 2018. According to the authorities, these reforms contributed significantly to easing inflationary pressures.

15. Efforts to streamline customs procedures continued during the review period. The Philippines participates in the ASEAN Single Window initiative, enabling secure electronic exchange of trade documents, such as certificates of origin and phytosanitary certificates, with other ASEAN partners. Import and export declarations are submitted electronically, although hard copies of supporting documents are still required. The automated system now processes export declarations, advance rulings, transit permits, ATA carnets, and payments. The Authorized Economic Operator (AEO) programme, introduced in 2017, complements the pre-existing Super Green Lane facility. Mutual recognition arrangements for AEO programmes have been concluded with ASEAN partners, as well as with China and Hong Kong, China. Regular consultations between customs officials and the private sector were formalized in 2024 through the Customs-Industry Consultative and Advisory Council.

16. Overall, approximately 64% of all Philippine tariff lines are bound, including all WTO-defined agricultural tariff lines, with the exception of those related to rice. The simple average bound tariff rate is 23.5%, some 17 percentage points above the average applied MFN rate. Other duties and charges are bound at zero.

17. The 2026 applied MFN tariff schedule is entirely *ad valorem*, with a simple average rate of 6.5%, down from 7.6% in 2018. There are no seasonal tariffs, while variable tariff for rice imports took effect on 1 January 2026. Compared with 2017, the number of tariff rates increased from 15 to 16, adding further complexity to the schedule. Liberalization was most pronounced in transport equipment and, to a lesser extent, in vegetable products, machinery, and precious stones.

18. Tariff quotas continue to apply to agricultural products, covering 95 tariff lines. For 53 of these lines, in-quota and out-of-quota rates are identical. The quota allocation mechanism is applied only in the event that a special safeguard measure is imposed on out-of-quota import volumes.

19. During the review period, new excise taxes were introduced on invasive cosmetic procedures, heated tobacco products, and vapour products, while tax rates were increased for sweetened beverages, tobacco products, fermented liquor, and distilled spirits. Excise tax exemptions were granted in 2018 for pickup trucks (until 1 July 2025) and electric vehicles, alongside a 50% reduction for hybrid vehicles.

20. Imports and exports of regulated goods are subject to licensing or approval requirements, generally for security, safety, health, and environmental reasons. Imported goods subject to standards and technical regulations, as well as sanitary and phytosanitary measures, are administered in a manner similar to licensing. The legal framework for regulated goods is fragmented, with multiple agencies responsible and, in some cases, multi-agency approvals required. The Philippine National Trade Repository, operational since August 2017, provides tariff-line information on regulatory requirements. According to the authorities, regulated goods accounted for approximately 33% of all tariff lines as of end-January 2026. With effect of the East of Doing Business and Efficient Government Service Delivery Act, the authorities indicate that most of regulated goods were subject to automatic licensing requirements. Fees for certain export licences (e.g. CITES export permits for fauna) are levied on an *ad valorem* basis.

21. The authorities state that the Philippines did not grant or maintain any export subsidies during 2018–2025. In 2018, multiple state export guarantee operations previously administered by five facilities and agencies were consolidated into a single state-owned corporation, the Philippine Guarantee Corporation (PhilGuarantee). Since 31 August 2019, PhilGuarantee has been the sole provider of trade-related state guarantees. This consolidation introduced a standardized risk management framework and improved exporters' and MSMEs' access to financing, thereby strengthening support for trade-related projects.

22. In response to the COVID-19 pandemic, the standard corporate income tax rate was reduced to 25%, and a harmonized fiscal incentives system was introduced through the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act in 2021. The triennial Strategic Investment Priority Plan sets out the terms and conditions for granting fiscal incentives to priority sectors identified in

the Philippine Development Plan, including a matrix of eligible business activities and location-based criteria. While foreign equity and export orientation thresholds were removed, more favourable incentives are envisaged for enterprises with significant export sales and large-scale investments (above PHP 15 billion, approximately USD 250 million). In 2024, the CREATE Act was amended through the Corporate Recovery and Tax Incentives for Enterprises to Maximize Opportunities for Reinvigorating the Economy (CREATE MORE) Act to enhance the predictability and global competitiveness of the incentives system.

23. The Government retains full or partial ownership in a wide range of enterprises. Government-owned and controlled corporations (GOCCs) remain active across multiple sectors, including finance, trade, tourism, education, energy, mining, agriculture, fisheries, food processing, transport, utilities, broadcasting, postal services, healthcare, and real estate. As of end-2025, 130 GOCCs were operational; several were operating on non-commercial basis and funded through budget appropriations, while others held minority shares in private companies. During the review period, state support was provided to 43 GOCCs.

24. The Philippines has been an observer to the Agreement to Government Procurement since June 2019. The government procurement regime was modernized during the review period, with the New Government Procurement Act entering into force in August 2024. The new framework adopts a fit-for-purpose approach, positioning public procurement as a strategic tool to support national development and environmental sustainability while ensuring value for money. Two new award criteria have been introduced. Whereas contracts were previously awarded primarily to the lowest-priced bidder, the "most economically advantageous responsive bid" criterion now emphasizes the quality–price ratio, taking into account lifecycle costs. In addition, procuring entities are permitted to use a wider range of procurement methods, including "competitive dialogue" and "unsolicited offers with bid matching". The authorities consider that this would help address rigidities inherent in the previous regime and enhance adaptability to technological change.

25. The intellectual property regime remained largely unchanged, except for the introduction of a framework for geographical indications in November 2022. The Government promotes innovation as a means of improving total factor productivity and supporting long-term economic growth, through publishing the National Innovation Agenda and Strategy Document in September 2023. In addition, an Innovation Fund has been in place since 2021. By end-2025, the Fund had accumulated PHP 600 million and approved PHP 309.6 million in grants for 59 innovation projects. Partly reflecting these efforts, patent registrations by domestic inventors doubled between 2018 and 2025.

Sectoral development

26. The Philippines remains a net importer of agricultural products, with both exports and imports increasing during the review period. Production remains concentrated in a limited number of commodities, notably rice, maize, bananas, coconuts, and sugarcane, with value growth over the review period driven mainly by prices rather than output. Structural constraints, such as fragmented landholdings, declining farm sizes, and high exposure to natural hazards, continue to limit productivity. Applied MFN tariffs on agricultural goods (WTO definition) averaged 10.1% in 2025 (ranging from 0% to 65%), with tariff quotas in place for 14 products and varying utilization rates. Domestic support has shifted towards a more market-oriented and resilience-based framework, remaining below the *de minimis* threshold and relying on input subsidies, credit, insurance, and Green Box measures.

27. The Philippines ratified the Agreement on Fisheries Subsidies in 2023. In September 2024, the Philippines reinforced its framework targeting illicit traders and importers of agricultural and fishery products with the enactment of the Anti-Agricultural Economic Sabotage Act. A newly created Anti-Agricultural Economic Sabotage Council was tasked with establishing a comprehensive oversight system for agricultural commodity value chains and directing the speedy investigation and prosecution of all crimes punishable under the Act.

28. The manufacturing sector remains primarily domestically oriented, with electronics as the main export segment. Although value added increased between 2018 and 2024, the sector's share in GDP declined, reflecting a structural shift towards services. Production is highly concentrated in food processing, followed by chemicals, and electronics, while traditional subsectors such as apparel have declined. Manufactured goods dominate trade, with rising exports alongside increased imports

of intermediate inputs. The applied MFN tariff on manufacturing goods averaged 6.5% in 2025, with higher protection in food processing and lower rates in technology-intensive sectors. Although investment incentives have been strengthened under the CREATE Act, productivity spillovers remain constrained by supply chain and financing constraints.

29. The energy sector continued to rely heavily on imported fossil fuels. In 2024, fossil fuels accounted for about 70% of total primary energy supply, with renewables contributing around 30%. Dependence on imported coal, oil, and gas exposes the economy to external price volatility, underscoring the need for diversification. In November 2022, the Philippines removed restrictions on foreign investment in most renewable energy resources, reflecting the policy priorities to expand renewable energy, enhance energy security, and promoting investment.

30. Environmental sustainability and resilience have become central to energy policy. Key measures include a moratorium on new coal-fired power plants, expansion of renewables through auctions and portfolio standards, and promotion of emerging technologies. Demand-side measures, including energy efficiency programmes and incentives for low-carbon technologies, complement supply-side reforms.

31. The financial services sector has expanded, supported by digitalization and regulatory reforms aimed at enhancing competition and financial inclusion. Digital financial services, including electronic payments and mobile banking, have grown rapidly. A dedicated digital banking framework is expected to encourage the entry of digital-only banks under tailored prudential requirements, fostering innovation and expanding access, particularly in underserved areas. Regulatory efforts have focused on strengthening supervision, consumer protection, and cybersecurity in digital finance. Nonetheless, access to finance by SMEs remains limited and financial inclusion across regions uneven.

32. Telecommunications infrastructure improved significantly during the review period, supported by increased private investment. The sector is classified as critical infrastructure, with foreign equity capped at 50% unless reciprocal rights are granted to Philippine investments overseas. With the Konektadong Pinoy Act (KPA), which came into effect in August 2024, the regulatory framework for telecommunication services was updated to keep pace with technological developments. The KPA introduced a new category, Data Transmission Industry Participants (DTIPs), which includes service providers that can build and operate their own data transmission networks. DTIPs no longer need to obtain a "legislative franchise" from Congress but are required to register with the relevant regulatory authority. The KPA also eased restrictions on satellite services for broadband connections. It also established a comprehensive framework for open access and infrastructure sharing, supporting the growth of the passive infrastructure subsector.

33. Following amendments to the Public Service Act, the aviation sector has been significantly liberalized. Air transport service providers can now have up to 100% foreign ownership. As a result, airlines with majority foreign equity incorporated in the Philippines are considered domestic carriers and can operate on domestic routes, provided they maintain a principal place of business in the country. The authorities state that the Philippines will not seek substantial ownership restrictions in future bilateral air service agreements and will pursue amendments to the designation clauses in existing agreements. During the review period, private sector participation in airport operations expanded, including foreign investment through public-private partnership projects.

Ways forward

34. During the review period, the Philippines has taken solid steps to reduce trade costs, attract investment, and promote the development of MSMEs. To maintain this momentum, it is essential to advance trade facilitation reforms, such as improving the onboarding of the National Single Window, establishing non-preferential rules of origin, and reviving the Unified Logistic Pass initiative. These actions would further strengthen the trade regime, reduce trade costs, enhance competition, and enable the Philippines to fully realize the benefits of trade.